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# A State of Exhaustion: A Comment on the German Election of 18 September

WOLFGANG STREECK

THE 18 September German election and its events have made it more visible than ever that German politics is and has for some time been profoundly deadlocked.<sup>1</sup> By deadlock I do not mean the often noticed calamity of a political system beset with multiple veto points and therefore requiring an impossibly high level of consensus among a large number of institutionally privileged participants. Rather, I mean a configuration of accumulated public policy problems that seems fundamentally intractable, possibly for logical and certainly for practical reasons. The result of this is that whatever governments and political parties do or propose to do will very probably for a long time make no real difference—or more precisely, it will do nothing to solve the social and economic problems confronting German society. I will describe this configuration further below in more detail.

That politics in Germany is now and for the foreseeable future in this sense deadlocked does not mean that it has become boring, or must become so. To the contrary, since under current circumstances it is basically irrelevant what policies they adopt, political actors (and I use the term here intentionally to allude to the extent to which policy-makers already have become primarily stage performers) are free to follow their intuitions with respect to what is most likely to please their audience, without having to think about real-world consequences outside the political theatre. In a media-driven public sphere, this may make for intense drama with considerable enter-

tainment value, allowing aficionados to appreciate fast and unpredictable movements between positions and skilful switching of alliances. Drawing on the Machiavellian recipes for the successful ruler instilling awe in his subjects and commanding their curiosity and imagination, German political elites compose a turbulent soap opera that is presented in daily instalments via the news shows to an excited citizenry. Precisely because its capacity to act on behalf of the society that sustains it has become exhausted, politics can turn into an all the more colourful spectacle.

Beginning in the 1990s it became increasingly commonplace to describe German politics in terms of a concept once coined for Eastern European Communism, 'organised irresponsibility'. Today, however, as the German state has moved into a condition in which responsible political action has become practically impossible, moralising about the irresponsible behaviour of politicians appears moot. If the problems confronting public policy are such that whatever you do will make no difference, it would seem strange to complain if politics is doing its best to be at least entertaining: to glue the public to the TV screen, produce good copy for the newspapers, and give people something to talk about over lunch, at parties and wherever else one presents oneself as a concerned citizen, as someone with a respectable social identity, or simply as pleasant company well versed in small talk. Similarities to the contribution to social integration of the national soccer leagues

and their weekly rounds of matches are not accidental.

In an interesting way, its by now deeply entrenched politics of deadlock makes the German political system resemble that of Italy. In both countries, an impotent state, incapable of tackling a growing burden of collective problems, is run by a political class that keeps citizens at attention with dramatic daily stories of war and peace, intrigue, triumph and disappointment, high-flying ambition, crushing defeat etc. Schröder and Berlusconi may not personally like each other. But they do share a raw talent for stage production, for turning the press and the public into breathless witnesses of their inscrutable moves, for transforming democratic politics into a display of Machiavellian virtuosity, and in particular for making their audience forget what they said and did in the past, so they can always start anew with a fresh story line.

Current events began when Schröder, on the eve of his party's defeat in the 22 May North Rhine-Westphalian *Land* election, announced that he would seek an early federal election. The Constitution authorises the President of the Republic to cut the Bundestag's term of office short, but only if the Chancellor has lost the support of his majority, as evidenced by a negative vote of confidence and other circumstances that the President has to explore. The vote was called in late June. To lose it, so that a fresh election could be called, the Chancellor and the SPD leadership asked coalition deputies to abstain. At the same time, to convince the President that the negative event of the vote was more than fake, Schröder apparently told him in private that the left of the Social-Democratic party was no longer willing to support the politics of 'reform' that his government had been pursuing since early 2003 ('Agenda 2010'). Actually, however, the left had never deserted the government in Parliament, except in the mock confidence vote

when it disobeyed the leadership to vote for Schröder, probably to protect itself from a later *Dolchstoßlegende*.

Speculation abounds why Schröder forced an election that was almost certain to unseat his coalition government. Obviously, he could expect that the excitement of an upcoming election campaign would make his party and the public forget his contribution to the disastrous defeat of the SPD in North Rhine-Westphalia—which is exactly what happened. But if this was a short-term tactical reason, there also was a longer-term one, which was to keep together the *de facto* grand coalition with which he had been governing since early 2003.

For those not familiar with German politics this requires a little elaboration. Germany's federal government cannot in practice legislate without the consent of the second chamber, the Bundesrat. Members of the Bundesrat are the *Länder* represented by their governments. When in February 2003 the SPD lost the majority in the *Land* of Niedersachsen, it was clear that for the rest of the government's term it would have to face a CDU/CSU majority in the Bundesrat, so that its narrow majority in the first chamber, the Bundestag, would not suffice to pass any major piece of legislation. The CDU/CSU, in turn, was presented with a tricky choice: to use its control over the Bundesrat either to block anything the federal government would do (obstruction), or to shape federal legislation so that it would suit its taste and that of its more powerful constituents (cooperation). Agenda 2010 was not so much a response to urgent policy problems—I will return to this later—as an implicit offer to the opposition of a programme of legislation that it could support, enabling the government not to have to appear as powerless in public as it actually was. The reason why the CDU/CSU accepted that offer—and overcame the temptation to erode the legitimacy of the government by rendering it impotent—was partly the

content of the Agenda, partly its own fear of being blamed for political stagnation, and importantly pressure from business, which found Schröder's programme on the whole sympathetic.

From early 2003 on, then, Schröder managed with his enormous tactical skills to imprison the opposition in a coalition that was never made explicit, while at the same time getting the left of his party to support each and every piece of the Agenda legislation, although given the cooperation of the CDU/CSU this was needed not for functional but only for political reasons. If continuation of this balancing act threatened to become impossible after the North Rhine-Westphalian election, this was primarily because the pay-off matrix for the CDU/CSU had changed. With just one year to go before the regular election, the temptation on the part of the opposition to sentence the Schröder government to inactivity or continuous defeat in the legislature was likely to become irresistible, especially since the battle over its leadership was far from settled. In addition, while the social-democratic left was by then thoroughly emasculated, the mainstream of the SPD's parliamentary party might have tried to walk out on the tacit grand coalition with the Christian Democrats, in fear of electoral decimation on the altar of Agenda 2010 in the 2006 election. Facing a pre-election year full of humiliating legislative defeats and rebellious party conventions, Schröder decided to move the election forward.

Having told the President that a fresh election was needed to protect Agenda 2010 against the left, the Chancellor, in another surprise move, almost immediately after North Rhine-Westphalia and throughout the election campaign closed ranks with the left of his party and with the trade unions. Agenda rhetoric disappeared almost entirely and gave way to a self-presentation of the SPD that made it appear not as the party of, but as the opposition against, the 'reforms' its gov-

ernment had pursued together with the CDU/CSU. Of course, it is proven social-democratic practice to 'signal left and turn right'. Moreover, the resistance against his policies in 2004, and certainly the election in North Rhine-Westphalia, had taught Schröder that it was difficult if not impossible even for him to win an election on this platform. Since the CDU/CSU was determined and indeed had no choice but to campaign as the party of even more 'reforms', it must have been convenient to move into the opposite corner. There also was Gysi's and Lafontaine's 'Left party', supported by segments of the metalworkers' union. When it became clear early on that it was certain to cross the five per cent threshold, this must have come as a very unpleasant surprise to the SPD leadership. Still, it seems remarkable that in 2005, Schröder tried the same approach as in 2002 when he won the election pretending that things were fundamentally in good shape and only minor corrections had to be made to make everybody's life even better.

Of course, nobody can know for sure what the 'strategy' was, if there was one at all, that was behind all this. If I nevertheless speculate on this briefly, this is to illuminate some of the institutional conditions that underlie German politics. His campaign rhetoric notwithstanding, Schröder could hardly have expected to win another term for a red-green coalition, and in the highly unlikely event this would have happened, he would have faced two immense difficulties. First, the hold of the CDU/CSU on the Bundesrat would have continued unchanged, and while the opposition would probably not have brought the government to a halt for a full four years—if only because *Länder* prime ministers have to get business done in Berlin—it would still have defined the corridor of the politically possible in much the same way as during Schröder's second term. More importantly, the autumn of 2005 would have

seen an exact duplication of the events in the autumn of 2002, when the negotiations between the coalition parties brought daily announcements of ever more benefit cuts that came as total surprise to an electorate that had voted for red-green precisely to protect itself from this sort of thing. The result was a rapid collapse of government support as had never happened before in the history of the Federal Republic, followed by Agenda 2010 and the silent grand coalition that came with it.

Perhaps Schröder believed that his personal charisma would carry him over yet another political U-turn—and that after the election his party and his coalition partner would once again have the courage, or the cowardice, to belie their campaign promises. But more likely, the idea was from the beginning not to win another term for the existing government, but to turn the informal liaison, or cohabitation, with the CDU/CSU into a formal marriage, preferably with the SPD as the stronger party. Aggressive personalisation of the campaign against an untested and indeed contested opposition leader with a deeply divided party was to return him to the Chancellorship, now with a broad parliamentary majority within which the social-democratic left would not count any more and where the CDU/CSU would have to deliver the Bundesrat while appearing in public as the party primarily responsible for the unpleasant 'reforms' that would inevitably be coming.

Note that what is now shaping up is not dramatically different from this scenario. While the SPD lost the Chancellorship (and Schröder finally had to retire), the election was extremely close. With hindsight, Schröder can claim to have sensed that the opposition, CDU/CSU together with the Liberals, could not win a majority on a platform that was even more 'reformist' than the policy of his government. Had the left failed to cobble together its new party as fast as

it did, the reds and the greens combined might in the end have won more seats than CDU/CSU and FDP, and short of that the SPD would almost certainly have been stronger than the Christian Democratic parties together. In any case, having campaigned on a left platform, the SPD is now firmly encased for a full four-year term in a formalised grand coalition in which it has no choice but to continue on the Agenda 2010 course, without Schröder. In a few weeks, we will hear Schröder claim that this was exactly what he had had in mind when he called the election and everybody else had given up on him.

Before I continue, a few words on the CDU/CSU and its leader, Angela Merkel. Schröder's call for an early election was read by the opposition as an admission of defeat before the battle, and as a plea for no more than a half-way honourable way out. Convinced that she had already won, Merkel did not bother to impose a coherent programme on her party and her campaign, also because this would inevitably have stirred up internal conflict. Sharing her optimism, the CDU/CDSU *Länder* prime ministers in turn extracted from her, as a condition of their support, a highly unpopular commitment to raise VAT by two percentage points. While this was sold to the public as aimed at lowering unemployment insurance contributions, and with them non-wage labour costs, in fact one half of the additional revenue was to go to the *Länder* to help prime ministers balance their increasingly unbalanced budgets. This connection is of systemic interest and I will return to it below.

For a long time the higher VAT remained the only item in the CDU/CSU election platform that was publicly noticed, and it was duly attacked by the government as biased against pensioners and wage earners. Well into the campaign, Merkel then made the decisive mistake that Schröder had been waiting for by adding to her shadow cabinet a

radical tax reformer, a former judge from the Constitutional Court by the name of Paul Kirchhof, who had become publicly known as an advocate of a 25 per cent flat tax. As far as one hears, his nomination was in large part motivated by internal reasons, to provide Merkel with a credible candidate for Finance Minister and thereby make it unattractive for Merkel's most powerful rival, the leader of the CSU and Prime Minister of Bavaria, Edmund Stoiber, to claim a position in the federal cabinet.

In the end it was Kirchhof who tipped the campaign against Merkel. In literal translation Kirchhof means 'cemetery', and Joschka Fischer immediately coined the phrase, 'This is the *Kirchhof* on which they will bury social justice'. Kirchhof's addition to the Merkel team meant that Merkel had to spend the final weeks of the campaign explaining to voters that lower tax rates for high-income earners and simplified tax returns for everybody would somehow mean higher taxes for the rich and lower taxes for all others, due to removal of numerous exemptions (which Merkel and Kirchhof were careful not to specify, however). Moreover, overall tax revenue was to remain the same, while lower tax rates (and presumably the higher taxes for the rich that would somehow come with them) would, together with the announced increase in VAT, reduce unemployment in an as yet unexplained way. German voters do not care much for politics and clearly prefer television game shows over economics lessons. However, the absurdities that the CDU/CSU tried to sell to them in the final weeks of the campaign might have seemed plausible to professors of economics, while they were rightly disregarded as cheap talk by middle-class voters who trusted that their party, the CDU/CSU, could only be kidding when it promised to increase rather than lower the taxes of the well-to-do—after having pointed out again and again that taxes for *Leistungsträger* had to be cut for supply-

side economic reasons. The rest were perplexed enough again to place their hope on a Chancellor who, after winning their votes in 2002, had paid them back with Agenda 2010.

Let me now address what I think are the underlying reasons for the arbitrariness with which someone like Schröder was able several times to zig-zag from left to right and back during his seven years in office; for why he could expect to take his party and the electorate along on a political itinerary that was nothing short of erratic; and also for why someone like Merkel, leaving aside her personal inexperience and the euphoria of a victory at hand, was so utterly unable to assemble her party and herself behind a coherent policy programme. The usual explanations emphasise an increasingly volatile electorate whose social structure has become so anomic that it cannot any more provide individuals with much of a political identity. They also point to the 'semi-sovereign' condition of the German state that makes it difficult to govern without far-reaching concessions to all sorts of groups and forces. But while both social-structural analyses of voting and the institutional analysis of political veto points catch important aspects of the German reality, they do not in my view take sufficient notice of a historically contingent but nevertheless extremely powerful configuration of policy problems which might perhaps be solvable one by one but are not solvable all at once—the difficulty being that solving them one by one would not make a real difference. In the official politics of the state, these problems show up as a deep fiscal crisis, although in fact of course they reflect deep underlying conflicts between social groups and between their aspirations and their real social situations.

What precisely these conflicts are and how exactly they translate into fiscal or budgetary problems would need to be analysed in greater detail and will not

be explored here. In the present context, the important point is that there are reasons to believe that the current fiscal crisis of the German state, and perhaps of similar national states as well, has become so severe as to be politically untreatable. Two questions that immediately arise would be how such a situation could have come about and what are its consequences for a society supposed to be governed by a state facing a problem load of this sort. I will briefly take up the second question below. As to the first, I suggest that one might try to model the path along which a state might move into the condition that I have in mind as a process of gradual exhaustion caused by its normal operation—or more metaphorically, as a process of ‘burn-out’.

What are the fiscal and budgetary symptoms of what might be a secular exhaustion of the German postwar democratic state? And how do they relate to the strangely erratic character of German politics in the last decade, and perhaps of democratic politics in other countries as well? Today any German government that had the ambition to be a responsible problem-solving agent on behalf of its principal, German society, would immediately and simultaneously have to attack the following five urgent tasks:

- Significantly shift the financial base of the social security system from contributions (or payroll taxes) to general taxes. Everyone now agrees that this is the main manoeuvre required to revive the labour market and reduce unemployment, without which everything else will remain more or less a treatment of symptoms.
- At the same time, balance public budgets, especially the federal budget, for a realistic prospect of meeting EMU targets within, say, the next five years. This must be done in the face of growing structural deficits and at a time when most of the state’s ‘family silver’ has already been sold.

- Bring down public debt, to reduce debt service. Right now, debt service, personnel expenditure and legal entitlements together exceed the federal government’s entire revenue. Discretionary spending of whatever sort must be paid by additional debt.
- Cut taxes for corporations in response to international tax competition, and also for individuals and families to enable them to compensate for cuts in health care services, future pensions, subsidies for education (student fees!) and the like.
- Increase public investment in education, research and technology, the physical infrastructure, in childcare facilities to stem demographic decline, or in the integration of immigrants, etc.

As indicated, the significance of this menu is not that each and every item on it is obviously extremely and perhaps impossibly demanding on the skills and determination of any government willing to take it on. Rather, it is that, as far as I can see, all of the five items are equally urgent, and none seems to bear postponement, although they would seem logically and certainly practically impossible to deal with simultaneously. Balancing the budget while cutting taxes and paying off debt is difficult enough; doing it while injecting additional tax money into the social security system seems utterly unfeasible; and raising public investment on top of this appears completely out of the question. One could argue whether logically such a feat might still somehow be accomplishable. For practical purposes, however, one must remember that the outgoing federal government during its seven years in office *did* significantly increase tax grants to the social security funds and *did* lower corporate and personal income taxes, although in the process this added to the federal deficit and the debt burden while starving local communities of the financial means for infrastructural improvements.

More importantly, however, as Christine Trampusch and I have shown, due to demographic and other factors all this achieved no more than that social security contributions remained roughly constant, causing no improvement on the labour market whatsoever, while at the same time social security benefits had to be continuously cut to keep tax infusions under control. Note that this operation, the Chancellor's masterful television performances and his immense talent for duplicity notwithstanding, consumed the entire political capital of Schröder and his red-green government, as evidenced not least by the 18 September election.

Perhaps 'in theory'—that is, in the imagination of political scientists or economists who don't have to balance budgets and face voters—one could imagine a German government cutting social and health care benefits so that additional tax funds for the social security system would not simply be consumed by rising expenditure, while at the same time increasing taxes on consumption and personal incomes, lowering corporate taxes, converting public subsidies from declining sectors to research, education and the like, and still managing to reduce the deficit and the payments on the national debt. I do not know if the amounts of public money that could maximally be made available for an effort of this sort could even approach what was needed for significant effects in the real world—although I doubt it. In political terms, however, I am sure that in a democracy, any programme like this would swiftly receive an electoral death sentence—in the German case after long and painful torture in a series of *Länder* elections. No political leader, not Schröder, not Merkel, will want to suffer this, or will be allowed to suffer this by his or her party.

In his last years in office Schröder seems to have understood that the only way for him, and indeed any government, to stay in power was by offering voters exciting entertainment, to make

them forget what was going on in their real world. Meanwhile, ministers and bureaucrats were scrambling day by day for short-term emergency measures, helping the actors on the public stage with one improvised stop-gap after another to cover up the slow disintegration of the institutions they were representing. Agenda 2010, the 'reform' programme celebrated by *The Economist*, the OECD and the other insiders of the 'Washington consensus', was nothing other than such a stop-gap. It had in particular nothing at all to do with fighting unemployment, as it was never meant to lower the cost of labour or, alternatively or additionally, increase aggregate demand. While it was dressed up for public consumption as the Chancellor's heroic struggle for full employment, in reality it was no more than a desperate attempt to control public spending on the unemployed—an attempt which, ironically, turned out to be extremely expensive fiscally due to incredible technical blunders at the ministerial level and to innumerable political concessions forced upon the government in the process of legislation. Just like the Hartz Commission that had preceded it during the 2002 election campaign, Agenda 2010 was above all a public relations exercise featuring the Chancellor and his government taking vigorous action. This is why, incidentally, there was no problem at all for Schröder abandoning his Agenda after the North Rhine-Westphalia election: it had served its purpose and was exchanged for a new story line better suited to changed political needs.

As to Merkel, like opposition leaders in general, her main hope for winning the election was that the government would lose it. Still, opposition parties should do better if they present to voters something like a 'project': a more or less coherent and credible image of themselves and of what the world would be like as a result of their being given the power to govern. Here Merkel and the CDU/CSU failed



completely, and I maintain that this has something to do not just with Merkel as a person, or with her parties' internal divisions, or with the inevitably unpleasant content of a programme of neo-liberal 'reform', but with the problem load I have described above. My suspicion is that political leaders faced with the sort of financial crisis that I have outlined can find nothing in it that could give definition to something like a credible political programme. Wherever they start, they would be vulnerable to very simple questions about internal consistence and practical feasibility, and in any case they would spend most of their time explaining why what one might find desirable happens to be impossible. Today's policy problems, in other words, seem to be such that they cannot support a project coherent enough to be credible with voters and to impose discipline on an unruly party, not to mention instruct future government practice—which can at best be a series of improvised fixes to a disintegrating machinery. This is why, incidentally, political consensus mobilisation today seems more detached than ever from 'objective' problems, favouring skilled stage performers like Schröder or Clinton who instead of promising to solve people's problems, command the magic capacity to make people forget about them, at least temporarily. It is not by accident that the only publicly visible planks in Merkel's platform, raising VAT and simplifying the tax system, were intimately related to the financial crisis of the German state rather than the deteriorating life-world of its citizens. How serious that crisis must be is illustrated by the fact that the Christian-Democratic prime ministers were so starved of money that they insisted on part of the announced tax increase being allocated to them, election campaign or not.

Voters, it seems to me, are not unaware of the fact that political leaders no longer know where to start when it comes to

governing. For some time before the election, a broad majority had become firmly convinced that the red-green government did not have the competence to do something about unemployment and the general economic malaise. What was new is that most voters did not expect the opposition to do any better. Fewer and fewer people in Germany, that is, believe that government, *any* government, can deliver them from the various crises that have slowly changed their lives during the last decade. The election outcome, with the government losing and the opposition not winning, reflects this mood quite well—and so does the fact that an immense number of people made up their minds only in the very last days of the campaign, 17 per cent not knowing who to vote for when they entered the polling station. Behind this one may suspect a revolution of declining expectations *vis-à-vis* the policies and politics of an exhausted state, with a silent pact emerging between citizens and politicians: the former leaving the state to the latter, demanding less and less from it, on condition that they not be asked to help clean up the mess the politicians have made.

What sort of politics may be expected in a state that has, perhaps irreversibly, exhausted its means? Surely if the 18 September election produced a majority at all, it was one for an end to 'reforms'. In the grand coalition, the SPD will emphasise the 'social' and avoid crossing what Schröder, when in the summer of 2004 he called off the remaining Agenda reforms, referred to as the voters' 'threshold of pain'. This will leave the reforming to the CDU/CSU, which, however, in lasting memory of the 2005 election, will try hard to avoid becoming overly identified with the dirty work. Still, some 'reforms' there will be, but even more carefully administered than in the second Schröder term, in the form of very gradual last-minute cuts of benefits and increases in taxes, distributed as

widely as possible or, to the contrary, focused on small groups with, hopefully, little electoral clout. It is this electorally optimal allocation of pain on which most if not all of the skills of the political class will in coming years be spent. Repair jobs temporarily fixing public budgets, including the various social security funds, will continue as they must and as they have for years: together producing a public policy of the smallest inevitable adjustments, spreading present losses as thinly as possible with no attention left for the production of future gains.

The vanishing of the postwar state is no less real because it proceeds gradually and takes time—so much time that those who want can make themselves believe that what in reality is progressive decline is no more than cyclical fluctuation, a superficial change in outward appearance, or just a figment of an observer's imagination. The functional and the structural end of a social formation are two different things; the former is not belied by the time required for the latter to be consummated. During the long goodbye of the postwar interventionist welfare state, public policies will become increasingly inward-looking, focusing on short-term repairs of the state apparatus that are exciting only to expert technicians and policy researchers (like finding a way of allowing public budgets to be financed by an unconstitutionally high level of borrowing, amending the Stability Pact to spare the German state from having to pay penalties in Brussels, raising the credit line for the social security fund, and the like). At the same time, to retain citizens' attention, politics will be increasingly symbolic, driven by ever shorter cycles of emotional themes, like Turkish accession to the European Union or, for example, the *creatio ex nihilo* of 'elite universities' by a bankrupt state.

Society cannot expect much from politics like this, apart from good stories like a woman challenging a man, an incumbent losing his composure, friends

becoming foes and vice versa, the powerful falling to hubris or intrigue, and so on. Still, behind the fog of the media, liberalisation proceeds, if not by reform then by default, as a slow societal response to the attrition of the postwar state; as a largely unintended by-product of government failure and state decay. As public policy proves itself unable to conquer unemployment, citizens flock to the underground economy while continuing to collect from the state whatever benefits may still be collectable, as long as they last. As politicians talk about health care reform, more and more people understand that the only health care reform they may benefit from in their lifetime is to eat more vegetables and stop smoking. Concerning pension reform, nobody expects the state to deliver anything other than an unending series of benefit cuts, however dressed up and however technically done. Those who can afford it have long begun to save for their old age, those who cannot must wait and see. Educational reform? The number of private schools is growing, and rich parents send their bright kids to American or British universities. In the spirit of true liberalism, more and more people are helping themselves, and become proportionately less willing to let the state take the rest of their money to help those who cannot—or, more likely, to help itself by reducing the deficit and paying off the public debt. Not a few will end up in personal catastrophe, like old people in cheap nursing homes, or Hartz IV clients who at age 50 will never again find a job. But ultimately the political logic of liberalism may come to the state's assistance: those who need the state most have the least capacity to organise, and will therefore be less and less of a nuisance. Maybe at some point they will even stop voting, as in the United States.

## Note

- 1 This article was written for a French–German workshop on political reform held on 7–8 October 2005. At the time of writing the grand coalition was still being negotiated between what are now the two governing parties. Subsequent events confirm the analysis in the article, and no attempt was therefore made to update it. A sequel essay commenting on the first five months of the grand coalition is available from the author on request.